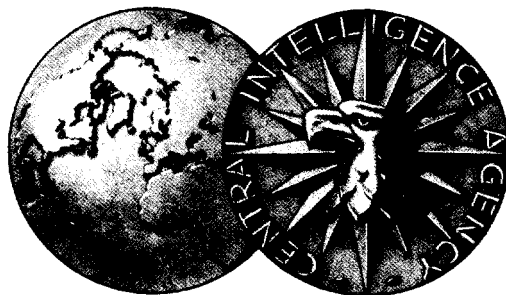


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REVIEW OF THE WORLD SITUATION



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**REVIEW OF THE WORLD SITUATION AS IT RELATES TO THE SECURITY
OF THE UNITED STATES**

SUMMARY

1. Although the Berlin issue is before the Security Council of the United Nations, it is not considered that action satisfactory to the US can there be taken. Propaganda and public relations techniques will be brought to bear on the discussion. The US will seek to present the issue simply in order to secure a condemnation of Soviet actions. The USSR will seek to cloud the issue in order to make a decisive judgment difficult. It is considered possible that the small powers, faced with a conflict between major powers, may be satisfied with an evasive recommendation that will, in effect, give the issue back to the disputants. In this event, the Berlin issue will have expanded. It will include the problem of the future of Germany, and will involve calculations of the support that Western Europe can give to US policy and of the strength and weakness of the Soviet position in Eastern Europe.

2. Relations between the USSR and the Satellite States have shown signs of strain. Nationalist feelings have appeared and shaken the structure of Soviet control. Except in Yugoslavia, however, these feelings have been kept from taking an organized form. If they should later develop dangerously, annexation by the USSR is available as a final method of reasserting control. It is not considered that this moment is at hand, or that the security position of the USSR has yet been seriously undermined.

3. French sensitiveness to problems of national security has been intensified by political instability and economic disorder. US policy in Europe, insofar as it calls for French support, is correspondingly difficult to formulate and implement.

4. UK support, on the other hand, is increasingly clear and firm. Though economic weakness limits the material weight that the UK can mobilize for this purpose, the main lines of policy have not been altered.

5. Particular trends and situations touching on US interests are noted in (a) Greece, Turkey, Iran, and Palestine; (b) China, Korea, and Indonesia; and (c) Latin America.

Note: This review has not been coordinated with the intelligence organizations of the Departments of State, Army, Navy, and Air Force. The information herein is as of 18 October 1948.

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REVIEW OF THE WORLD SITUATION AS IT RELATES TO THE SECURITY OF THE UNITED STATES

GENERAL

1. BERLIN—UNITED NATIONS—GERMANY—WESTERN EUROPE.

The presentation of the Berlin issue to the Security Council, at the same time that the General Assembly is handling other major East-West issues, has finally brought into an open forum all of the interlocking problems of US-Soviet relations. An immediate consequence has been to interject the tension of the Berlin situation into all other issues no matter how remote.

It is difficult to see that the United Nations can take any action that will resolve the basic oppositions involved. Certainly small states, concerned with the obvious insecurity of a position between major contending powers, will hesitate to admit that the Berlin issue is clear-cut. It is possible that they will prefer to join together to evade so dangerous a problem and will devise an interim proposal that cannot form the basis of a final solution.

If the US objective is to secure a firm moral judgment from the UN in order to develop a more solid front against the USSR, it is by no means certain that the US will, in this instance, be able to pull together the moral force of the small powers. Not only are these powers aware that, as long as the differences between the major powers are presented as irreconcilable, they do not have the material force to make an adverse collective judgment felt; but it is clearly a Soviet objective to keep even their moral force from becoming concentrated.

The uncertainties of the situation are such that propaganda and public relations techniques will play a big part for the next month or two, defining positions and seeking to identify those positions with the hopes and fears of mass opinion. The keys to this conflict will be a US effort to get the USSR into a position where it will be condemned by world opinion and a Soviet effort, not only to prevent this but, if possible, to get the shoe on the other foot. Soviet propaganda has been clearly designed for this purpose. That of the US-Western Powers has been generally aimed in this direction but has not yet been developed in detail.

The Soviet propaganda line consists of a single pattern built on a few main themes. It starts by describing the UN as "an instrument for the cooperation of peoples on a basis of equality," and then presents the USSR as using its power to support this principle and the US as using its power "to change the UN into a tool of imperialist expansion." The line then expands into a consideration of items on the UN agenda. These are treated (1) as issues that have arisen solely because the USSR sought to preserve the "independence and peace of peoples," and (2) as problems created by the fact that the UN Commissions now at work have merely served to cloak US-UK imperialism. An escape clause, in anticipation of resolutions unfavorable to the USSR, has been established by a deliberate questioning of the impartiality of the permanent

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Secretariat and by a description of the General Assembly as a "rigged" Anglo-American voting machine. To this has been added an assertion that it is illegal for the UN to take up the Berlin issue. This framework allows ample scope for the introduction at any time of new material in a form which distorts US intentions, glorifies Soviet purposes, and generally confuses issues.

In contrast with this pliable pattern, the US propaganda line—as developed up to the present—is rigid and legalistic. It has concentrated on the theme of Soviet faithlessness and double-dealing and seeks a moral condemnation of the USSR. Its correlation with British and French treatment is still not adequate for the purpose of a continuing propaganda campaign. It appears to force final choices not only upon world opinion, but on the representatives to the General Assembly.

It is consequently possible to foresee a situation developing in the UN in which the US, although getting a majority vote in support of its position with respect to the USSR, will not obtain an unconditional expression of support from world opinion. This possibility is of basic importance to the general security interests of the US. Further positive action by the US to guard these interests increasingly depends upon precisely this kind of support. Thus, the more strongly the US presses for an unreserved moral judgment, the more unfavorable to the long-run US interest will be a failure to get it, especially if the pressure has created an organized spirit of evasion among the small nations.

It cannot be too strongly repeated that, no matter what finally comes out of the process of debating and voting in the UN, the basic problem of what the next step is to be in Berlin will once more be presented to US policy. The problem will have grown in extent and significance, and international alignments with respect to it will have been clarified, but not necessarily in a way satisfactory to the US. The US submitted the Berlin issue as a threat to peace. The USSR has already substituted the German issue for the Berlin issue and the US has conditionally accepted this expansion by expressing a willingness to reconvene the CFM after the lifting of the Berlin blockade. Such an expansion immediately raises the question of the value of Western Europe as a supporting factor in US security interests.

It was estimated, in connection with the breakup of the Council of Foreign Ministers in December 1947, that the USSR would initiate a "program of intensified obstructionism and calculated insult" in Berlin. It was further estimated, in connection with Allied proposals to unify the zones of western Germany, that the USSR would intensify its consolidation of eastern Germany and would use its strong position in Berlin as a lever to check Allied plans in the West.

The policy developed by the US and Western Powers, acknowledging as it did a competition for the control of Germany, assumed the effective coordination of US, UK, and French objectives and methods. US policy shaped itself to develop such coordination and encouraged political, economic, and military cohesion in Western Europe. Short-term Soviet policy clearly shaped itself to prevent such coordination. Local Communist Parties were directed to retard economic recovery and to create the maximum possible political instability. Once the operations of ECA got under way, the initiative in this clash of policies appeared to swing to the US.

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The Berlin crisis was deliberately engineered by the USSR in this general context. The one point, consistently revealed at all stages in the crisis, has been the Soviet judgment that the Allied position in Berlin was untenable and that its weakness could be played on to force a return to the *status quo ante* the last CFM Meeting. Such a reversion would delay the establishment of a western German Government and would presumably reopen the whole German situation for Communist penetration and Soviet exploitation.

On the other hand, if this primary objective could not be achieved, the way was prepared for developing an alternative. The Soviet position in the East could be finally consolidated by forcing the Allies out of Berlin and pressure could be maintained on the western zones by means other than negotiation.

The essential continuing purposes of the US and the USSR were so opposed in Germany that the rapid development of a deadlock in Berlin was inevitable. The success of the US-UK airlift made it possible to leave this deadlock unresolved for an indefinite period. It did not, however, provide the means ultimately to break the deadlock, nor has it actually made the Allied position in Berlin more practicably tenable. But it has worked to increase the US political commitment, making Berlin a major test of US-Soviet strength in the eyes of Germany and of Western and Eastern Europe, and reaffirming a direct US responsibility for the welfare and safety of the German population of the western sectors of the city. A dilemma has consequently developed and the US is now committed, in Berlin, to maintaining a strategic outpost on political grounds when, in the final analysis, that outpost can be maintained only by force or with Soviet tolerance.

Naturally, the Soviet position is not without its weaknesses. The Soviet Zone of Germany has had its own economic problems increased by the cutting of its trade links with the Western Zones. German opinion in the East tends to reflect the growing anti-Soviet sentiments of the West and provides the basis of a political problem. In addition, Soviet relations with the Satellite States on its lines of communication to the West are not entirely healthy. (See para. 2 below.) It is considered that these possible limitations on Soviet policy will not be immediately effective in forcing a modification of the Soviet position in Berlin, or in depriving the USSR of its present initiative there. But the uncertainties introduced by these weaknesses may well have given an exaggerated sense of insecurity to Soviet calculations.

It is this deadlocked form of the issue that has been submitted to the Security Council. But, even if a UN formula of solution emerges, it is not believed likely that the attitude of the USSR will be modified in any real sense, or that the USSR will throw away any of the actual strength of its position in Berlin. Therefore, the Berlin issue, expanded to a German issue and including increasingly serious demands upon Western Europe to support the US position, will be eventually returned in a worse form to the major disputants.

By this time, the possible courses of action open to the US-Western Powers will have been severely restricted, and the point may have been reached at which a choice will have to be made between a planned withdrawal or the eventual maintenance of the Berlin position by force. Either choice poses a major problem and requires the

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preparation of a firm position in western Germany as well as a maximum coordination of the resources and policies of the states of Western Europe.

In western Germany, though plans for a more visible political and economic structure have been announced, their development has been slowed down by economic troubles and political hesitations on the German side, and impeded by the difficulty of reaching a solid ground of common policy between the US, UK, and France. Western Germany accordingly remains far from ready to act as an effective participant with the West in a split Europe.

With respect to Western Europe and the part it will be increasingly called on to play in relation to a US security interest in Germany, two factors stand out as basic. The first is the effect of increased defense requirements on economic recovery. The second is the influence of unresolved security considerations on Western European decisions.

The recent defense agreements of the five states concerned in the Brussels' Pact, and the UK announcement of an expanded defense program do not cancel out the fact that, for Western Europe as a whole, existing production facilities cannot do more than meet immediate consumption and reconstruction requirements. No surplus is available for application to military needs. ERP, basically planned in relation to current consumption and to the longer term rebuilding and expansion of production facilities, is equally inelastic in this respect. Resources for use in defense programs can accordingly be procured by two methods only: (1) by withdrawal from peacetime production and by the corresponding modification of ECA operations, or (2) by drawing on the productive facilities of the US through channels which would have to be additional to ECA.

The first method, except possibly in the UK, would probably lead to increasing political and social instability and would certainly retard the operations of ECA more effectively than Communist activities have yet succeeded in doing. In all the states of Western Europe, again excepting the UK, even the problem of diverting necessary percentages of the national income from consumption to capital reconstruction is proving difficult in the face of the profound economic and social antagonisms that have developed since the war.

The second method, that of drawing on US production, would almost certainly strain those facilities and lead to a new cycle of inflation unless accompanied by a deliberate reduction of domestic consumption; i.e., rationing and other government controls.

The problem of security, as felt by Western Europe generally, is one of how to balance the dangers of the immediate situation by actions leading to a satisfactory posture of defense. Every examination of this problem reveals the enormous gap between the scale of activity apparently required and the degree of activity presently possible. At the same time, it is almost impossible for Western European countries to accept the implications of calling in a presently disorganized German potential to help bridge this gap. Yet, in the view of Western Europe, the US has embarked on a course of action which threatens to precipitate a dangerous situation without

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simultaneously making adequate preparation to deal with the possible consequences of its decision.

This problem is most intensely felt in France and makes that country an important factor in confusing negotiations between the US, UK, and Western Europe. France's historical sensitivity to all problems of security has been heightened since the war by her being cast in the part of a major power in all that concerns Berlin, Germany, and Western Europe, without possessing the means of effectively playing such a role. Her influence has accordingly tended to be negative and recalcitrant. Although at all times France has, after considerable hesitation, gone along with US policy, this has been more the result of necessity than of conviction. Consequently, US aims in Germany, and US relations with Western Europe, have been subjected to an element of uncertainty over and above that inherent in the situation. The persistent political instability of France, though it increases this uncertainty, has not been the essential factor in its creation. (See also para. 3 below.)

A summary recapitulation of the present form of US-USSR relations and of the context in which they will come up for further discussion in the near future, suggests that the immediate Berlin issue—though now cast as a major test of these relations—is in reality rapidly becoming a minor factor in a larger US security problem.

2. USSR—SATELLITE RELATIONS.

Soviet actions in Berlin and Soviet aims in Germany require support from Eastern Europe, even if that support rests only on Soviet-Communist control of the countries in that region. Thus the other side of the problem of US security involves an estimate of the present state of Soviet-Satellite relations.

A series of related events in Yugoslavia, Poland, and Czechoslovakia has called somewhat into question the degree of actual control on which the USSR can count. The common element in these events has been the development of nationalistic attitudes within the Satellite Communist Parties. These attitudes, working on practical problems of the national economy, have led to specific deviations from the policy and time-table of the Cominform; and, since the Cominform was geared in its operations to the policy decisions of the Politburo, such deviations automatically raised security problems for the USSR.

Naturally, the situations thus created within the Soviet orbit have been intently watched by the West and have given rise to considerable rumor and interpretation. As the matter now stands, measured in terms of Soviet control and US capacity to benefit from any weakening of control, there has been little real change except in Yugoslavia.

In Yugoslavia, resistance to Soviet instructions has crystallized around the nationalistic forces in Tito's Yugoslav Communist Party and has been raised to the level of a dispute between governments. Yugoslav Communism has, however, gone out of its way to make it clear that it is none the less Communist even though it resists political domination by the USSR. Thus, while it is clear that Soviet power is not uniformly strong at all points on its line of contact with the West, it is by no means certain that Yugoslav nationalism yet offers a real opening to US influence. The situation is still a rat hole to be watched, not an opportunity for decisive exploitation.

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In Poland, a similar development was apparently crushed by the quick application of Communist discipline within the Polish Communist Party. This successful soul-searching was undoubtedly helped by the presence of actual Soviet force. At any rate, though the source of trouble probably still exists, the ranks have been closed and the machinery of political control works unchecked.

In Czechoslovakia, where the uncooperativeness of the people gave rise to expectations of trouble, nothing has happened to weaken the present power of the Moscow-directed Communist Government. On the contrary, expectations of trouble have kept the Party alert for signs of anti-Communist activity and for indications of doctrinal differences within the Party itself.

No equivalent "nationalistic deviations" have developed in Hungary, Rumania, or Bulgaria. A check on this point was presumably made at the recent meeting with Stalin of the ranking Communist leaders from these states, as well as from Czechoslovakia. It is also probable that plans were then made for tightening party organizations to prevent nationalist tendencies from building up into serious pressures.

Though the problem appears at this time to be under control, its causes remain active and may well develop into something significant. That moment is, however, not yet at hand. The use of local Communist governments as a method of control is by no means exhausted—except possibly in Yugoslavia—and the devices of a police state can still be further developed. A final resort to annexation as a way of eliminating "nationalistic deviations" is always possible. In fact, the present situation has produced a crop of rumors to this effect. Czechoslovakia, in particular, has been frequently mentioned. It is considered that these rumors can be temporarily ignored, always remembering that the machinery of annexation is simple and can be set in motion whenever the security interests of the USSR require such action. But the application of this form of control, while nationalist feeling is still incipient rather than fully developed, would risk providing a focus for organized resistance, and there is no immediate need for taking this chance.

Thus, although adverse factors can be noted, the general security of the USSR in Eastern Europe has not been seriously undermined. Nor need Soviet aims in Germany be modified because of fundamental weaknesses in the rear areas.

3. FRANCE.

France's inevitable preoccupation with security is at the moment intensified by economic and political controversy. While political instability can be regarded as a normal feature of French life, and thus kept in proper perspective, it is now caught up on a broad current of events which lie beyond the reach of French policy. On the one hand, Soviet policy injects itself into domestic French affairs by way of the French Communist Party. On the other hand, US requirements for reliable support in Germany and Western Europe inject an opposing external influence. French security measured by French fears, becomes an almost unattainable dream in these circumstances.

From the US point of view, the present political situation in France directly affects the continuity of US policy in Europe. The "Third Force" in French political life, to which the US has given open approval, is being steadily squeezed between

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extremes by its inability to settle the immediate problems that absorb the attention and energy of the French people.

The present Communist-directed strikes, though designed for political ends, also correspond with a real sense of economic frustration in non-Communist labor. This undermines the position of the Socialist Party and weakens a coalition government in which the Socialists participate. Simultaneously, both as a counter-blast to Communism and because a weak government offers openings for political maneuvering, the party of deGaulle is stepping up its bid for power.

The relation of this development to French security on the one hand and to US security on the other is still in the speculative stage. It is considered that the French concept of what constitutes minimum security will fluctuate between the views of the political extremes, and that the general sense of national insecurity will be correspondingly heightened. It is also considered that, for the immediate future, such features of US policy as require firm support from France will be superficially weakened by the shifting balance of political forces in France and may need re-examination on short notice.

4. GREAT BRITAIN.

As a factor in the general US security problem, the UK and the English-speaking members of the Commonwealth are an essentially solid support. The US view of the problem is basically shared and, in the UK, Labor Party opinion clearly accepts the Government's identification of UK and US security interests. It is believed that Canada, Australia, and New Zealand, though the meeting of Commonwealth Prime Ministers may well reveal differences of emphasis, have already accepted the logic of the situation and will fundamentally follow the UK line. The basic weakness in the situation is the ever-present economic one. Short of some supplementary form of US assistance, it will continue to impose limitations on the rapid carrying out of rearmament and defense plans and on the standing programs of colonial improvement and diplomatic adjustment that have been initiated since the war. This weakness has not, however, modified the essential intent of UK policy.

5. PARTICULAR SITUATIONS NOTED.

a. The Near East

On the line of demarcation between US and USSR influence, unsubdued guerrillas, making use of Satellite territory, still fill the Greek scene and the Greek government is now seeking to increase the size of its army, requesting additional US aid for this purpose; in Turkey, slow but steady improvement is taking place in the nation's defenses and both the government and public opinion adhere firmly to the policy of maintaining the nation's independent and territorial integrity; in Iran, the failure of an ineffectual government to enact necessary social and economic legislation has increased general discontent and aided extremist elements. The Shah is expected to press his demands for a reform of the constitution.

Behind this line, the Israeli-Arab conflict continues. Quick UN action on the Bernadotte Plan was not forthcoming and an East-West alignment has begun to develop. The US and UK support the Bernadotte Plan, the USSR stands on the Partition Plan of 1947, and both Arabs and Jews oppose the Bernadotte recommendations

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on various grounds. Even assuming ultimate UN acceptance efforts to implement Bernadotte's terms will be very difficult in the face of the territorial demands of the Jewish extremists and the probably ineffective attempts of the newly formed Arab Palestine Government to exercise authority in the Arab areas of Palestine. Yet, the Bernadotte Plan, if it were adopted in its entirety and if the UN—adequately supported by the US and the UK—were prepared to apply sanctions to make it work, would prevent the resumption of organized hostilities in Palestine.

b. The Far East

US prestige and security interests are generally deteriorating in the Far East, and this is particularly true in China in spite of current and planned aid. Major Communist victories may lead, in the next three months, possibly to the annihilation, probably to the final cutting off of the Nationalist forces north of the Yangtze. The National Government's currency reform is failing. It is probable that, by the end of the year, Chiang Kai Shek's government may be cut back to the status of an impotent and bankrupt regime whose authority will be loosely spread from the Yangtze Valley into South China. Increasing consolidation of the Communist position in North China will facilitate political discussion between the Communists and dissident Nationalists and may provide the basis for a coalition that could eventually become a rival government of China. A more general Nationalist-Communist compromise could scarcely be achieved, however, without the elimination of Chiang Kai Shek, and at the moment no leader or group seems willing to challenge even the remnants of his power. Current US aid and the hope of increased assistance after the US elections still serves to check the final political disintegration of Nationalist China. The military situation, however, has turned so clearly against the Nationalists that the position is not believed to be recoverable even if US aid on an expanded scale were immediately available.

In Korea, the long-standing US-USSR stalemate is now reproduced in two competing "national" governments, both of whom have announced their intention of sending delegations to the US General Assembly. It is considered possible that UN recognition of the US-sponsored Republic of Korea will be indefinitely delayed. US interest and prestige in the Far East, committed to the success of the Republic, will increasingly depend on a continuing aid program to sustain the Republic against unrelenting Soviet pressure.

The Dutch-Indonesian dispute is still unsettled in spite of increasing US efforts. The Republic threatens to refer the dispute back to the Security Council and the Netherlands have countered with ultimatums designed to weaken the Republican position. In addition, the Dutch, without using the machinery of the UN Good Offices Committee, are trying to reach agreements with Indonesian groups outside the Republican camp. Here again US prestige is in danger, for the US, by committing itself to and taking the initiative in GOC, has tacitly acquired responsibility for the success or the failure of GOC negotiations. In order to regain some freedom of action in a situation of increasing difficulty, the US has threatened to withdraw from GOC unless the Netherlands modifies its demands upon the Republic.

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c. *Latin America*

The basic weakness of the present political-economic structure of Latin America society is sharply illustrated by the situation in the Argentine. The Argentine has moved from a secure to a stringent international financial position faster than have any other of the Latin American states. Furthermore, the political strains induced by such a change have quickly developed. It is considered possible that political resentment is building up as the Argentine fails to maintain the position of independence which Peron so grandly sketched, and that Peron's violent charges of plots represent an effort to avoid becoming a target for this resentment by turning it toward an external malignant force; i.e., the US.

But the fact remains that the present state of affairs in the Argentine is primarily the result of planning an accelerated industrialization, which required extravagant purchases of industrial equipment and supplies from abroad, without providing for a corresponding maintenance of dollar resources. The inevitable economic dislocation that followed lead to bitterness when the Argentine did not secure the dollars it had anticipated from purchases for ECA.

While other Latin American countries, with the possible exception of Mexico, have not developed similar grandiose plans and consequently have not experienced an equivalent stringency, their problems come from much the same factors. Thus, generally, as the prices of Latin American exports decline, and as extensive US advances are not forthcoming, economic difficulties can be expected to increase and other leaders than Peron may well turn to fostering anti-US sentiments as a cushion against domestic troubles.

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